

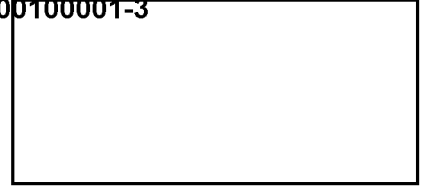


Director of
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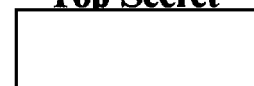
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National Intelligence Daily (Cable)

12 March 1979

State Dept. review completed

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National Intelligence Daily (Cable)

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SITUATION REPORTS

CHINA-VIETNAM

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*ifferences over
border demarcations seem likely to complicate the initia-
tion of formal negotiations between China and Vietnam.*

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The Vietnamese Foreign Ministry issued a statement yesterday claiming that Chinese troops have moved several border marker posts "deep into Vietnamese territory" in Lang Son Province. The statement described the incident as "particularly serious." It noted that the border had been agreed upon by the two countries and called upon the Chinese to stop moving border markers and other attempts to change the border. Hanoi has said that it will not negotiate as long as Chinese soldiers remain on Vietnamese territory.

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There is still no evidence of a Chinese military buildup on the Laotian border, but Sino-Vietnamese polemics over Laos continue to develop. On Saturday, China issued an official protest accusing the Laotian Government of "fabricating rumors to venomously attack China." The Chinese note cited a Laotian Government statement made last Tuesday which charged Beijing with threatening Laotian independence, sovereignty, and territorial integrity by harassing troops on the frontier as well as interfering in the internal affairs of Laos.

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Beijing's protest also accused Vientiane of acting under Soviet and Vietnamese pressure, thus softening slightly the Chinese rebuke. The note revealed that on Wednesday Vientiane demanded the withdrawal of the remaining Chinese roadbuilding units from northern Laos.

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[REDACTED]

This Chinese protest was followed up by a *People's Daily* commentary which charged that Hanoi and Moscow are using the accusations against China as a justification to crack down on antigovernment resistance in Laos. The commentary asserted that such maneuvers will stir up stronger antigovernment opposition in Laos.

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NORTH YEMEN - SOUTH YEMEN

//The military situation in North Yemen did not change over the weekend. South Yemeni airstrikes and artillery and rocket barrages reportedly took place in the Harib area yesterday, but there are no reports of significant fighting in the Al Bayda or Qatabah areas.//

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[REDACTED] South Yemeni forces in the Harib area launched an artillery and rocket barrage early yesterday followed by aircraft attacks against North Yemeni forces. Aden apparently expects further North Yemeni counterattacks and infiltration,

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//The US Embassy in Sana reports that available information does not support South Yemen's claim made late last week that major new fighting was taking place between National Democratic Front and North Yemeni tribesmen in an area northeast of Sana.

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Military personnel from countries represented on the Arab League observer force began arriving in Sana over the weekend. The force eventually will total about 80 observers with representatives from Syria, Iraq, Jordan, Algeria, Kuwait, the United Arab Emirates, and the Palestine Liberation Organization. The group is supposed to work out the details of troop withdrawals by both sides and oversee the cease-fire.

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//Some of the NDF's weaponry and supplies come from
Libya,

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Aden

radio yesterday broadcast an NDF statement praising Libya's
role in the area and thanking Tripoli for its support.//

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BRIEFS AND COMMENTS

IRAN: Support for Bazargan

There were some signs over the weekend that Ayatollah Khomeini is taking positive steps to reinforce the Bazargan government, but the impact of these measures remains to be seen. Procedures announced yesterday for the referendum on 30 March on a new government indicate that Khomeini is determined to proceed with his plans for an Islamic republic.

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Tehran Radio announced on Saturday Khomeini's instructions advising government officials to ignore any recommendations for hiring and firing of individuals made by his spokesmen or relatives. Khomeini stressed that they had no right to interfere in such matters. Revolutionary committees have been obstructing the normal activities of the various government ministries and making recommendations on personnel and procedures.

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A reorganization of the various revolutionary committees also was made public and new guidelines for the operations of the committees were established. Mohammed Reza Mahdavi-Kani, who had previously been appointed to coordinate committee activities, has become supreme chief of the 14 committees operating in Tehran and the others in the rest of the country. Mahdavi-Kani reportedly was appointed to this position by Khomeini with Bazargan's approval.

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Yesterday, Bazargan ordered his Interior Minister to make arrangements for the national referendum that will ask the single question, "Do you want an Islamic republic to replace the monarchy?" This formula has been criticized by liberal dissidents and the Prime Minister, but Khomeini has remained adamant in his demand for an Islamic republic.

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IRAN: Soviet Economic Presence

//Moscow continues work on Iranian development contracts and is trying to maintain a vigorous presence in its technical assistance programs. Soviet economic aid--\$1.2 billion since 1963--has helped to develop key Iranian industrial facilities. The ultimate disposition of Soviet projects is still uncertain, however, as Iran reassesses its development priorities and its relationships with foreign contractors.// [REDACTED]

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Even though work schedules have been disrupted by the political turmoil, most Soviet technicians have remained and have continued work at a number of major projects. Nearly 4,000 Soviet technicians apparently have been allowed to maintain operations at the showcase Isfahan steel mill. Although the IGAT-I pipeline, which carries natural gas to the Soviet border, is now shut down, the new government may well assign a high priority to natural gas projects. An IGAT-II pipeline project probably will service a 20-year trilateral accord with the USSR for gas sales to Western Europe. Under that deal, the USSR--for a fee--would receive Iranian gas at the border and deliver equivalent amounts of Soviet gas to Iranian hard-currency customers in Western Europe.

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//The 350-billion-cubic-foot annual flow of Iranian gas to the USSR since 1970 has been more than enough to service Tehran's \$1.4 billion economic and military aid debt to the USSR.// [REDACTED]

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MEXICO: Reaction to President Carter's Visit

//President Carter's trip to Mexico has at least forestalled a potential decline in bilateral relations and may have laid the groundwork for significant progress on key issues. President Lopez Portillo probably feels that the agreement to meet again this summer was the most important result because it establishes a timetable for and focuses presidential attention on the resolution of differences. At the same time, the heightening of Mexican expectations greatly magnifies the effect of the next few months of negotiations on the longer term course of US-Mexican relations.

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Mexicans generally believe Lopez Portillo did well in facing up to the "Colossus of the North" and advising the US that Mexico expects greater attention and respect from Washington.

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//Lopez Portillo's public criticism of US attitudes toward Mexico--which has been overplayed in the US media--was not entirely for domestic consumption. It was also designed to put the US on notice that the bilateral relationship is in for some renovation and that issues should take precedence over ceremony and personal dynamics. By making this case with the US, and at the same time scoring essential points at home, Lopez Portillo is likely to feel he has more room to maneuver now than he had last year.

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//For the Mexicans, nevertheless, consummation of a natural gas deal will be an essential condition for success in the bilateral negotiations leading up to the next summit. Its overriding importance stems from the intense public spotlight that has lately fallen on Mexico's petroleum potential and from the psychological logjam the gas sale represents in Mexico's efforts to map out a "petropeso" development strategy. The Mexicans realize that other important issues--such as trade and undocumented migration--are less susceptible to quick resolution.

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TURKEY: Economic Reform Program

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Negotiations for massive international financial aid to Turkey have reached an impasse. Ankara has repeatedly rejected economic reforms recommended by the International Monetary Fund--deemed preconditions for large-scale assistance--and has announced its own halfway measures aimed at balancing foreign pressures for austerity with domestic political concerns. [REDACTED]

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In theory, Prime Minister Ecevit's reform program emphasizes the need for public sacrifice and a determination to solve Turkey's problems through more effective use of its own resources. In fact, his vague proposals repeat previous goals without suggesting specific remedies. [REDACTED]

//Last week, West German Chancellor Schmidt failed to convince Turkey to accept the IMF guidelines, and aid discussions between Turkey and the Western allies have been suspended. Turkish Foreign Minister Ockun called EC ambassadors in Ankara together and delivered heavy-handed demands for greater assistance than the EC had offered. On Wednesday, Turkey unexpectedly postponed indefinitely its negotiations with international creditors to reschedule bank credits. [REDACTED]

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Ecevit's tough talk is a gamble. He lacks the political strength to make the IMF's guidelines stick, and so he hopes to drag the negotiations as close to the brink as possible--trading on Turkey's enhanced value to the West in the wake of the Iranian revolution. His tactics of standing up to the West may divert domestic criticism in the short term. [REDACTED]

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If the West drops its insistence on the IMF conditions, Ecevit will emerge strengthened. Turkey must have aid, however, and it seems more likely that Ecevit eventually will have to back down and pay a high political cost. [REDACTED]

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CHINA: Change in 10-Year-Plan Targets

Beijing has announced that it intends to scale back investment in the steel industry, the first of what probably will be a series of adjustments to its economic plan. The move, designed to help guarantee improved living conditions and a rapid expansion of exports, will channel freed resources to agriculture and light industry.

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China has called for a reduction in some other targets as well. The grain output target of 400 million tons by 1985--compared with the 295 million tons in 1978--is perhaps even more unrealistic than the goal for steel. To achieve such a goal, China would have to produce an additional 15 million tons of grain annually, compared with the annual average of five million tons actually produced over the past decade. Similarly, the plan for doubling coal output by 1987, to more than one billion tons, appears unattainable.

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The Chinese Government lowered its sights two months after a Central Committee Plenum subjected economic plans and policies to a careful review. The Chinese Government apparently realizes that failure to meet rising expectations could lead to potentially explosive situations. Demonstrators in Beijing and Shanghai already have demanded better jobs and improved living conditions. The leadership also wants to feel assured that export goals will be met and that China will not suddenly be confronted with large balance-of-payments problems.

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The Minister of Light Industry and a *People's Daily* editorial for the first time have advocated imports of advanced technology for light industry, with the editorial referring to imports of technology as "an important method" for modernizing light industry.

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RHODESIA: Nkomo's Diminished Options

Joshua Nkomo, leader of the Zimbabwe African People's Union, seems locked into a military course of action that could prove disastrous for him and for ZAPU. To revive his political fortunes, Nkomo needs either an accommodation with the government in Salisbury or a new international push for a political settlement.

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Several factors have contributed to Nkomo's dilemma:

- His alliance with Robert Mugabe, leader of the Zimbabwe African National Union, has all but collapsed, depriving him of an important political forum--the Patriotic Front.
- Mugabe has emerged as Nkomo's equal in the nationalist movement, largely because of ZANU's steadily expanding military activities inside Rhodesia.
- The shooting down of two Rhodesian civilian airliners in the past six months by ZAPU guerrillas has made an accommodation with the Salisbury regime much more difficult.

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By continuing to pursue the military option, Nkomo in effect places ZAPU on a collision course with ZANU. Heavy fighting between the two groups, combined with the likely increase in longstanding frictions between ZAPU's political and military leaders, would throw Nkomo's leadership position into jeopardy.

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Nkomo probably is aware of the gloomy military prospects, and he may try to revive his political fortunes by again attempting accommodation with the Salisbury regime. He would find it difficult if not impossible to approach Prime Minister Smith. His relations with Bishop Muzorewa are badly strained, but he might explore an accommodation indirectly through other internal leaders such as Ndabaningi Sithole or Chief Chirau. A new international initiative toward a settlement also would significantly help revive Nkomo's prestige and put him back in the limelight.

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MOZAMBIQUE - SOUTH AFRICA: Warning on Terrorists

25X1 //The South African Government late last month warned
25X1 Mozambique that it will not tolerate terrorist infiltra-
25X1 tion from Mozambique or the establishment of terrorist
bases in Mozambique close to the South African border.

[REDACTED] South Africa presented the warning during negotiations on a new railways agreement signed in Johannesburg on 26 February. It believes Mozambique's dependence on South Africa for transportation and as a source of employment and foreign exchange will discourage its support for the guerrillas. Mozambican President Machel is firmly committed to the guerrilla cause, however, and is not likely to curtail his support. [REDACTED]

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INTERNATIONAL: Terrorist Threats

25X1 US diplomatic facilities in Vienna, Brussels, Stock-
holm, and Munich received letters last week from a group calling itself the Secret Trans-World Organization for Punishment threatening retaliation against US diplomats for alleged US orchestration of the Chinese invasion of Vietnam. The letters mention past attacks on US diplomats and warn that armed bodyguards, armored cars, varying routes, and keeping schedules secret will not prevent attacks by the organization. The stationery appears to be of Japanese origin, but we have no other information on the group. [REDACTED]

CHAD: Peace Talks

25X1 President Malloum and Muslim Prime Minister Habre met in Kano, Nigeria, on Saturday for peace talks. We do not yet have any details on the discussions. A cease-fire appeared to be holding satisfactorily in Ndjamena yesterday. [REDACTED]

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SPECIAL ANALYSIS

VENEZUELA: A New Administration Takes Over

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[REDACTED]

//Luis Herrera Campins today becomes Venezuela's fifth freely elected president since the fall of the dictatorship 21 years ago. He faces a formidable task. The public is impatient for quick solutions to the country's many nagging problems--crime, corruption, inflation, poor public services, and housing shortages. Herrera's Social Christian Party (COPEI)--in the opposition during the five-year tenure of outgoing President Carlos Andres Perez--does not have a majority in either legislative chamber. It will have to rely on several small leftist parties to enact the new President's legislative programs.//

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[REDACTED]

//Many of Herrera's programs are keyed to the long term and will not bear fruit until near the end of his tenure, if that soon. Meanwhile, Perez' Democratic Action Party will be looking for openings to attack the new government if only to boost morale and start to heal the serious divisions within the party that were aggravated by its electoral defeat in December. The municipal elections scheduled for 3 June are already being touted as a referendum on the first weeks of the Herrera administration.

[REDACTED]

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[REDACTED]

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//Overall, Herrera is unlikely to change the basic policies of the Perez administration, but there will be a shift in priorities and a reexamination of projects already under way. The new President will take a less active international role and will concentrate on domestic

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affairs. It will probably require several months for the new administration to settle in and establish the policies that will characterize its ideological moorings for the next five years.// [redacted]

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//In foreign affairs, Herrera sets high priority on close and friendly relations with the Carter administration.

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[redacted] Both Herrera and his party are convinced that Venezuela was treated inequitably by the US and the oil companies during the last Social Christian administration (1969-1974) [redacted]

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//Herrera--unlike his predecessor--holds no ambition to be a spokesman for the Third World. He will, nevertheless, continue supporting a new international economic order, human rights, and nuclear nonproliferation. Although he, like the majority of Venezuelans, will be sympathetic to democratic forces in Nicaragua, he is not likely to allow Venezuela to become as enmeshed in that situation as did his predecessor and will limit Venezuela's role to defending the human rights of the Nicaraguan people in regional and international forums.// [redacted]

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//Venezuela's support for OPEC will not change, and the new administration will continue to press for petroleum prices as high as the world market will allow. Herrera supported the most recent round of price hikes and will place his government fully behind efforts to increase crude oil prices at the OPEC meeting later this month.// [redacted]

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//Herrera agrees that the Orinoco Tar Belt is Venezuela's resource of the future and will back all efforts to exploit these huge reserves. He does not regard the US or American petroleum companies as the sole source of the necessary technology, however, and will continue Perez' policy of seeking foreign assistance, principally from Western Europe and Canada.//

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//Several issues are still unsettled from the nationalization of the oil industry in January 1976; Herrera will probably not be any more inclined than Perez to rush settlement. Venezuelan courts are now considering back tax claims against the former concessionaires totalling nearly \$1 billion--about equal to the total compensation due the companies for their nationalized assets. Herrera and his party have in the past been less flexible than Perez on issues involving the national patrimony.//

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